

Message Text

PAGE 01 STATE 093514

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TO USMISSION OECD PARIS IMMEDIATE

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E.O. 11652: N/ A

TAGS: EINV, OECD

SUBJECT: IC SPECIAL SESSION ON INWARD DIRECT INVESTMENT

REF: (A) DAF/INV/75.15; (B) STATE 084976;
(C) STATE 079562; (D) STATE A-9082 (12/11/74)

1. SINCE DECISION MADE NOT TO SEND US EXPERTS TO ATTEND SPECIAL SESSION, FOLLOWING OFFERED TO ASSIST MISSION IN DISCUSSIONS OF QUESTIONS POSED IN REFD0C A, PRIMARILY THOSE IN PARA 7 SECTION II, WHICH HAVE NOT BEEN COVERED IN EARLIER MESSAGES (SEE REFTEL B). COMMENTS IN PARAS 2 THRU 7 BELOW ARE KEYED TO SUBSECTIONS A THRU F OF SECTION II.

2. RE SUBSECTION A: OUR CALCULATIONS OF 1974 OPEC DIRECT INVESTMENT IN US ARE STILL QUITE TENUOUS. WE ESTIMATE THAT SUCH INVESTMENT TOTALLED AT MOST A FEW HUNDRED MILLION DOLLARS.

3. RE SUBSECTION B: MISSION MAY DRAW ON COMPREHENSIVE LIMITED OFFICIAL USE
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PAGE 02 STATE 093514

STATEMENT OF CURRENT US POLICY RE INWARD INVESTMENT CONTAINED IN REFTEL C. IN BANKING AREA FEDERAL RESERVE BILL WHICH WOULD REGULATE FOREIGN BANKS IN US WAS REINTRODUCED MARCH 5. IT IS SUBSTANTIALLY SAME AS

1974 VERSION (SEE REPAIR D). IN EVENT FED PROPOSAL BECOMES

SUBJECT FOR DISCUSSION MISSION MAY DRAW ON ARGUMENT IN REPAIR RE BILL'S ALLEGED DEPARTURE FROM NATIONAL TREATMENT FOR BACKGROUND BUT SHOULD NOTE THAT ADMINISTRATION IS STILL CONSIDERING BILL AND HAS NOT YET TAKEN POSITION ON IT.

4. RE SUBSECTION C: USG DOES NOT REQUIRE OR EXPECT COOPERATION OF BANKS OR DOMESTIC ENTERPRISES BEYOND NORMAL COMPLIANCE WITH ESTABLISHED US LAWS AND REGULATIONS.

5. RE SUBSECTION D: LACK OF SUFFICIENT INFORMATION ON IDENTITY OF BENEFICIAL OWNERS OF US CORPORATE SECURITIES AND INADEQUACY OF EXISTING REPORTING REQUIREMENTS WERE AMONG PROBLEMS IDENTIFIED IN RECENT REVIEW OF INWARD INVESTMENT POLICY. ESTABLISHMENT OF NEW OFFICE TO CENTRALIZE ANALYSIS OF DATA ON INWARD INVESTMENT BEING COLLECTED BY VARIOUS USG AGENCIES INTENDED TO STRENGTHEN US CAPABILITIES IN THIS AREA. IN ADDITION SECURITIES AND EXCHANGE COMMISSION CURRENTLY STUDYING LEGISLATION TO OBTAIN IMPROVED DISCLOSURE OF BENEFICIAL OWNERSHIP BY BOTH DOMESTIC AND FOREIGN INVESTORS. WE BELIEVE THAT OPTIMAL APPROACH TO SOLUTION OF THIS PROBLEM IS TO RELY ON NON-DISCRIMINATORY ACTION AT NATIONAL LEVEL.

6. RE SUBSECTION E: AS INDICATED IN PARA 2 ABOVE VOLUME OF OPEC DIRECT INVESTMENT IN US HAS BEEN MODERATE AND TO DATE HAS NOT GIVEN RISE TO ANY PARTICULAR PROBLEMS. IN A FEW CASES THERE HAS BEEN LOCALIZED CONCERN, AGGRAVATED BY FEAR OF DISCRIMINATORY BEHAVIOR BY ARAB-OWNED ENTERPRISES. THESE FACTORS, MORE THAN MAGNITUDES, ACCOUNT FOR CONCERNS WHICH HAVE LED TO INTRODUCTION OF NUMBER OF BILLS BY INDIVIDUAL CONGRESSMEN. ADVANCE CONSULTATION PROCEDURES NOW BEING ARRANGED WITH GOVERNMENTS WHICH HAVE A POTENTIAL FOR MAKING SUBSTANTIAL INVESTMENTS IN THE UNITED STATES ARE INTENDED TO FACILITATE RESOLUTION OF LIMITED OFFICIAL USE
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PAGE 03 STATE 093514

POTENTIAL DIFFICULTIES BEFORE THEY DEVELOP.

7. RE SUBSECTION F: USG DOES NOT ANTICIPATE THAT ANY STRENGTHENING OF EXISTING INVESTMENT CONTROLS OR INTRODUCTION OF NEW ONES WILL BE REQUIRED. MAJOR POTENTIAL PROBLEMS IDENTIFIED IN RECENT REVIEW CONCERNED GOVERNMENT INVESTMENTS, AND WE BELIEVE MEASURES BEING IMPLEMENTED REPRESENT EFFECTIVE MEANS FOR DEALING WITH THEM. IN THE UNLIKELY EVENT THAT ADDITIONAL RESTRICTIONS WERE FOUND TO BE NECESSARY, USG WOULD CERTAINLY TAKE FULLY INTO ACCOUNT DESIRABILITY OF CONTINUING TO MAXIMIZE FREEDOM OF INTERNATIONAL CAPITAL FLOWS, PARTICULARLY AMONG OECD MEM-

BER COUNTRIES, AND US OBLIGATIONS UNDER RELEVANT INTERNATIONAL AGREEMENTS.

8. MISSION MAY NOTE THAT REFTEL B AND MATERIAL POUCHED TO TANNER DO NOT INCLUDE INFORMATION RELATING TO RECENT POLICY REVIEW. WE DID NOT REFER TO NEW ADMINISTRATIVE AND CONSULTATIVE ARRANGEMENTS RESULTING FROM THAT REVIEW BECAUSE EXECUTIVE ORDER WAS STILL UNDERGOING INTERAGENCY CLEARANCE AT TIME EARLIER MATERIALS WERE BEING PREPARED. ALTHOUGH ORDER STILL NOT SIGNED, MISSION, IN ITS DISCRETION MAY DRAW ON REFTEL C TO AMEND US REPLY TO QUESTIONS IN PARA 5, REFDOC A, OR TO REFER TO PROPOSED ARRANGEMENTS DURING DISCUSSION OF US POLICY. KISSINGER

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